

Indiana Utility Regulatory Commission

Natural Gas Forum

June 21, 2004

Northern Indiana Public Service Company



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Today's Discussion

- **Opening Remarks**
 - Michael Martin, Director, Regulatory Policy
- **National Perspective**
 - Mark Maassel, President
- **NIPSCO Strategy – Portfolio Diversity**
 - Karl Stanley, Mgr Gas Trading, Energy Supply Services
 - Physical Diversity
 - Price Diversity
 - NIPSCO Customer Outreach
- **Pipeline Integrity Management**
 - Tom Nickells, Pipeline Integrity Coordinator



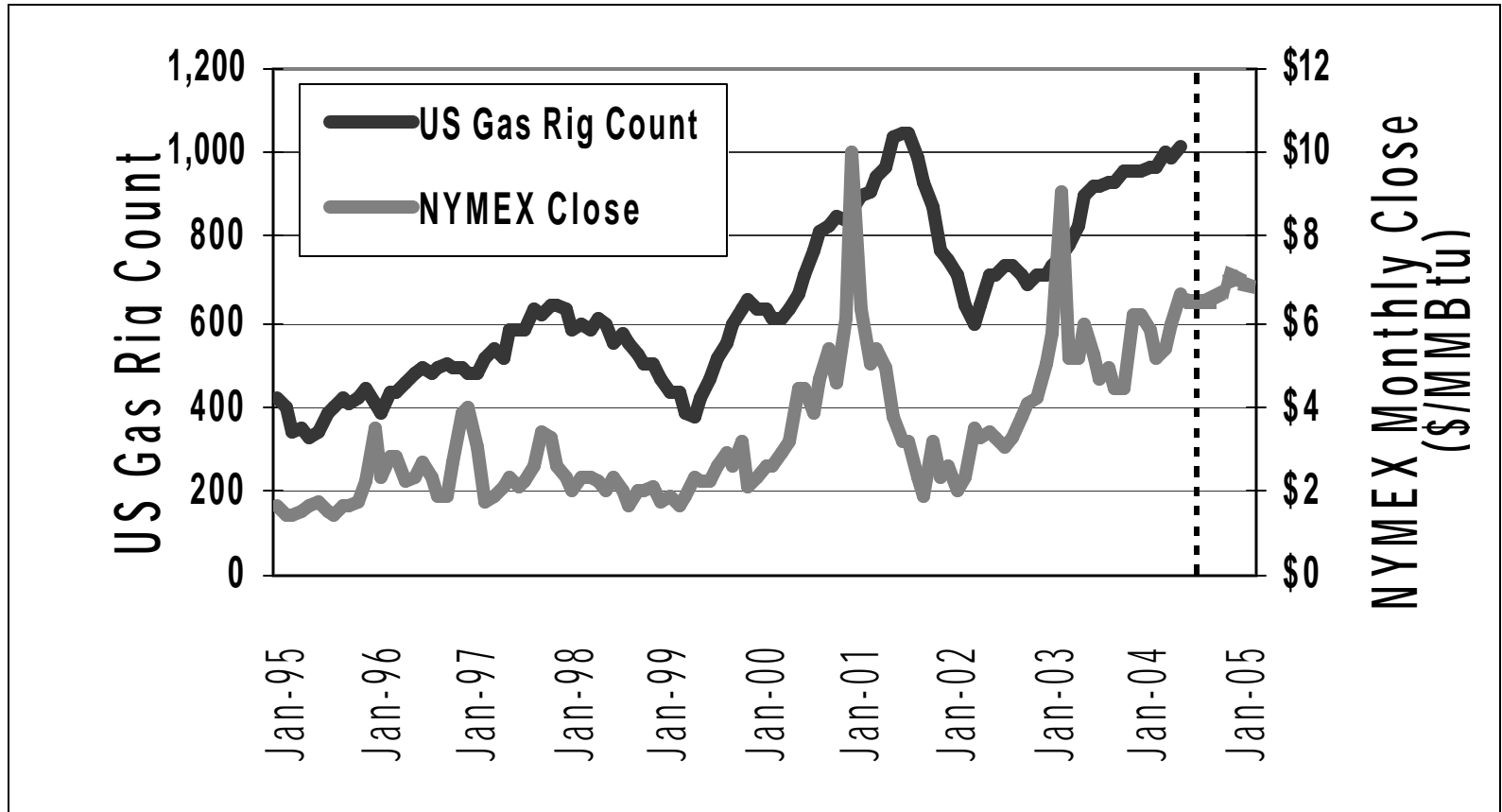
National Perspective



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National Perspective

The Supply Picture



Source: CEA unless otherwise noted

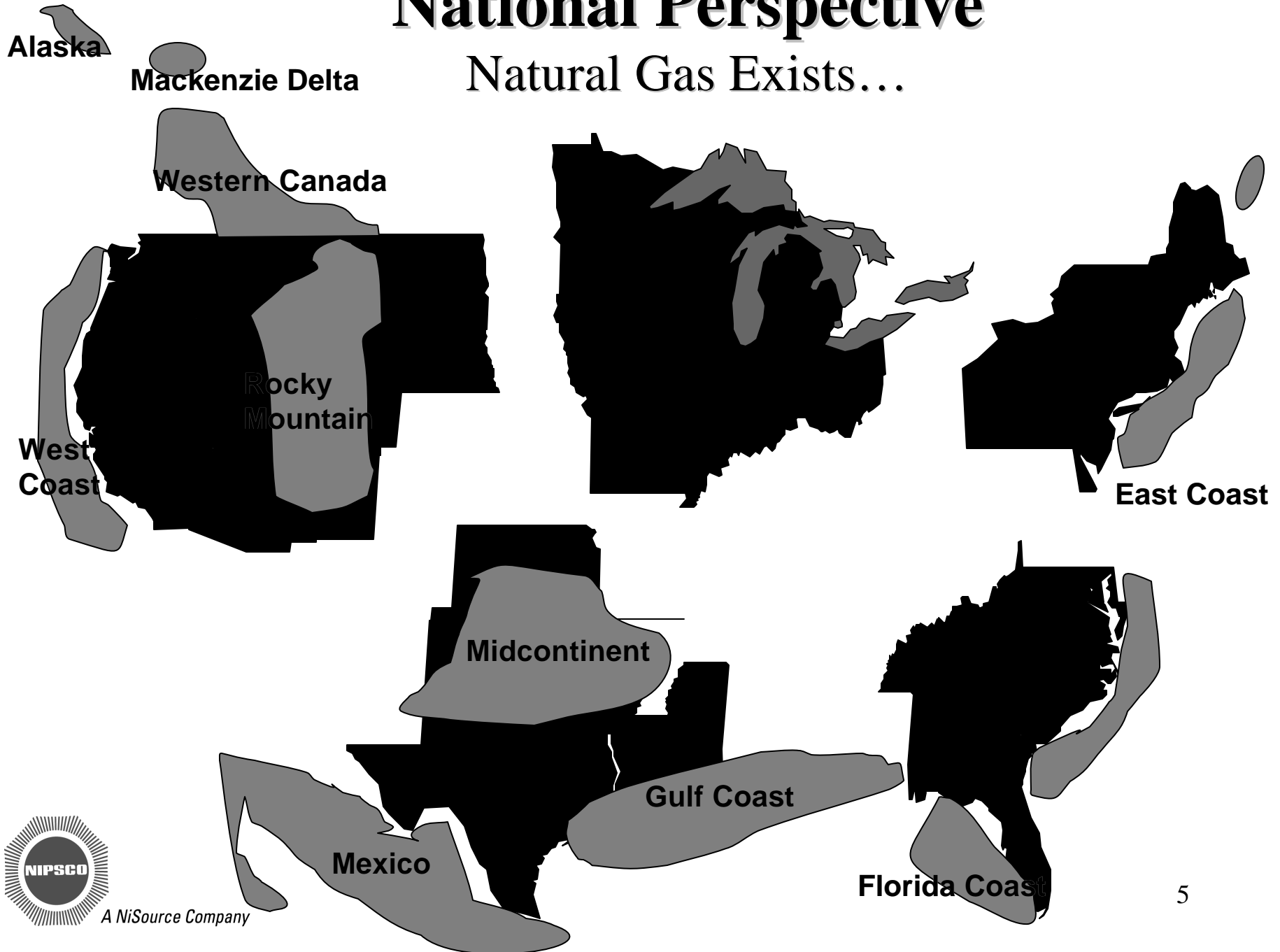


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The E&P sector is responding...but it may not be enough

National Perspective

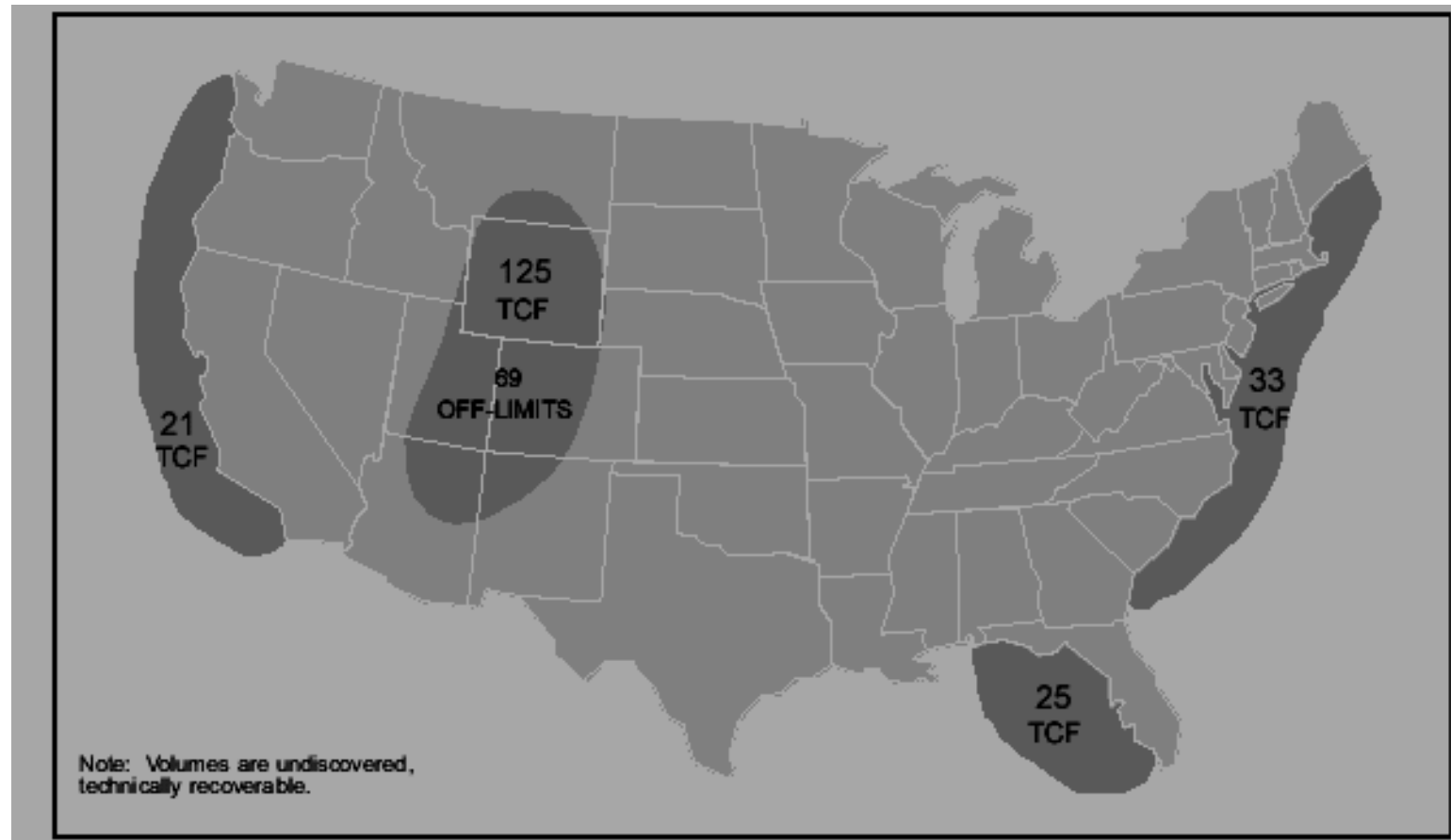
Natural Gas Exists...



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Not All of it Can Be Accessed

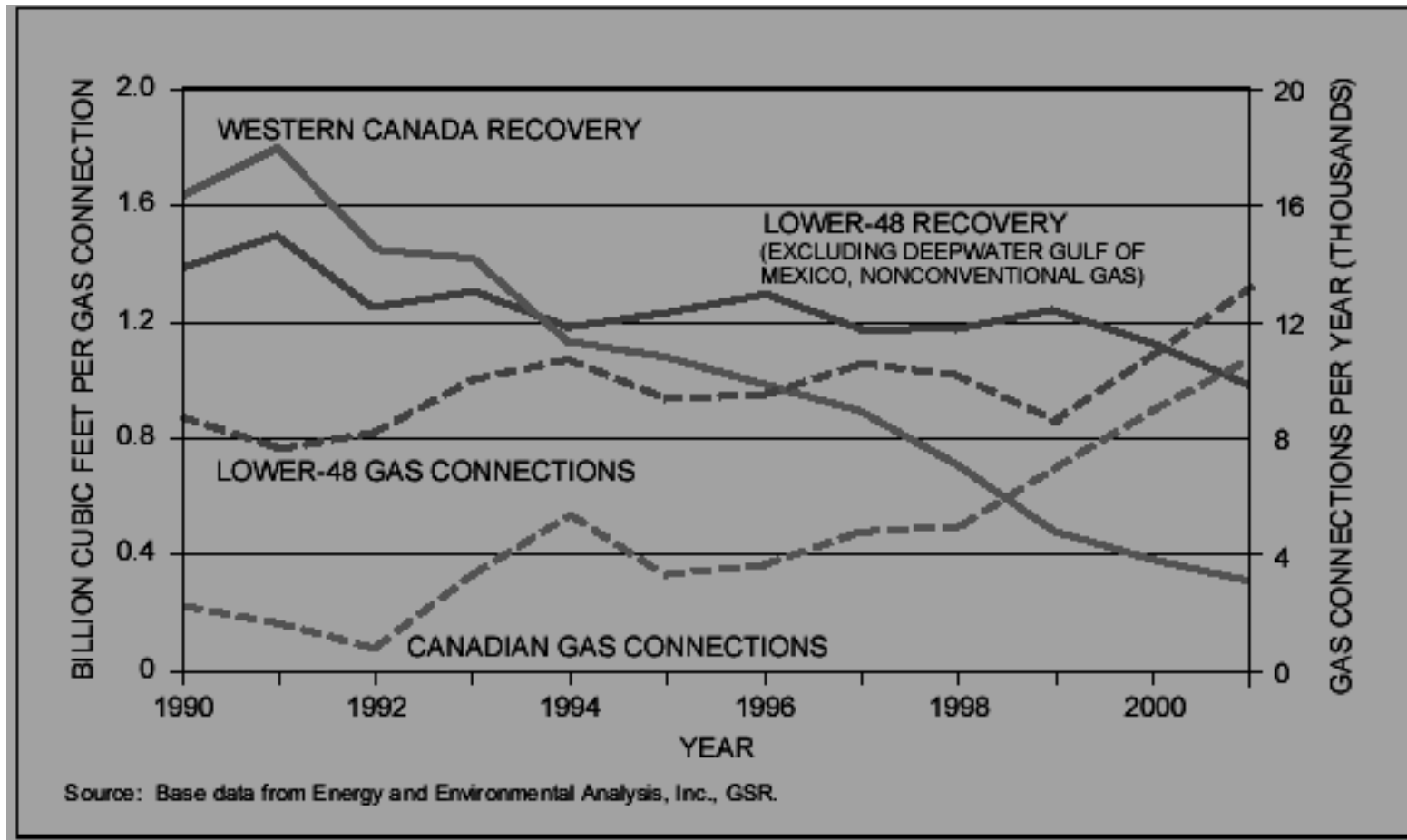


Source: National Petroleum Counsel

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Drilling, with No Increased Gas Production Because...

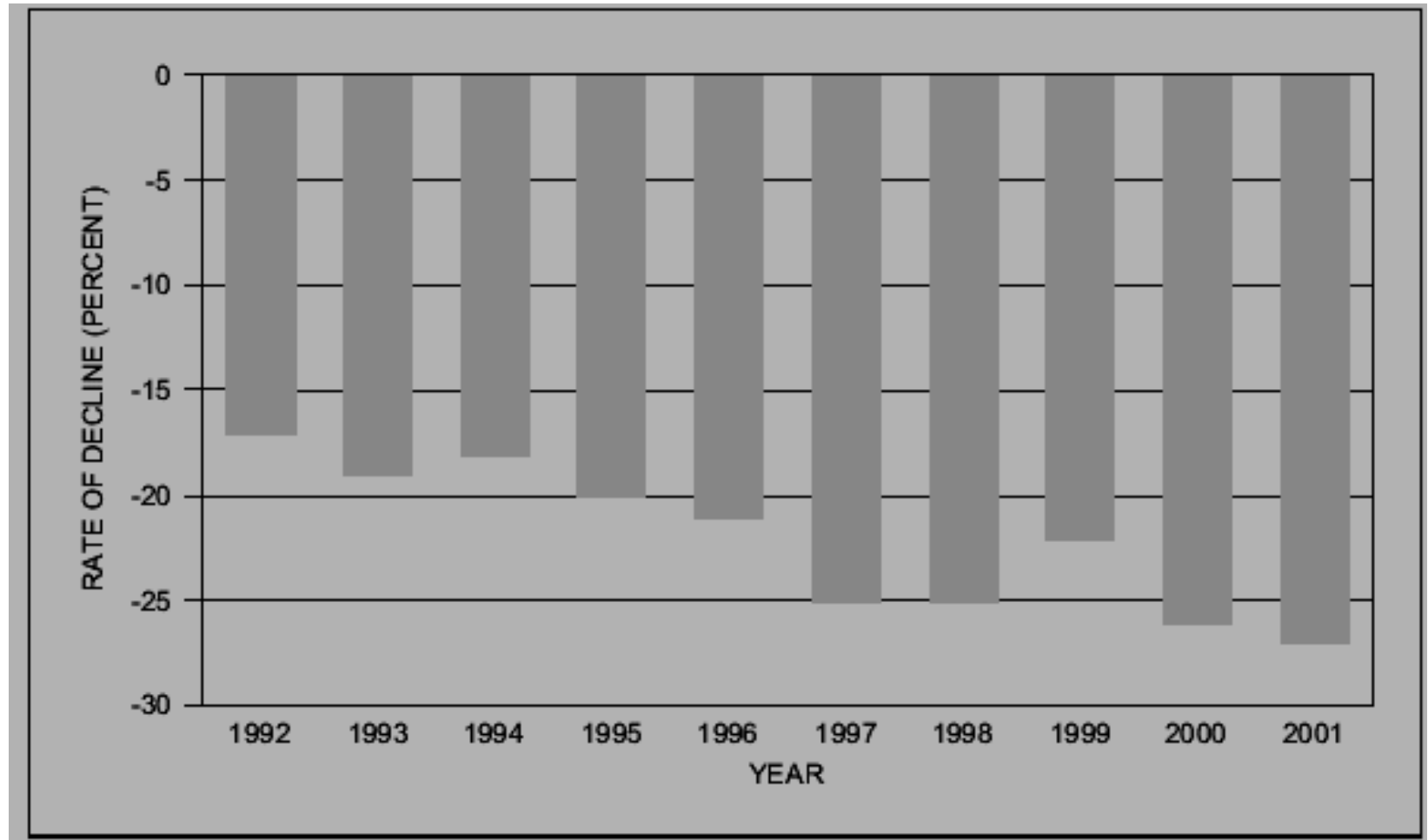


Source: National Petroleum Counsel

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Well Depletion Rates are Increasing



Source: National Petroleum Counsel

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National Perspective

Increased Access to Gas Supply is Needed

Potential Growth in North American Gas Supplies

	Production (Tcf)			Absolute Growth 2002-2012
	2002	2007	2012	
WCSB	16.8	17.4	18.0	1.2
Eastern Canada	0.5	0.5	1.3	0.8
Western United States	6.1	7.5	8.3	2.2
Gulf Coast	26.0	28.2	28.9	2.9
Total Traditional Supplies				<u>7.1</u>
LNG	0.6	6.5	7.7	7.1
Alaska/Arctic ¹	0.0	0.0	5.4	5.4
Total All Supplies				<u><u>19.6</u></u>

(1) Estimated to hold 44 Tcf of proven reserves in Alaska and 160 Tcf of potential reserves in the Arctic.

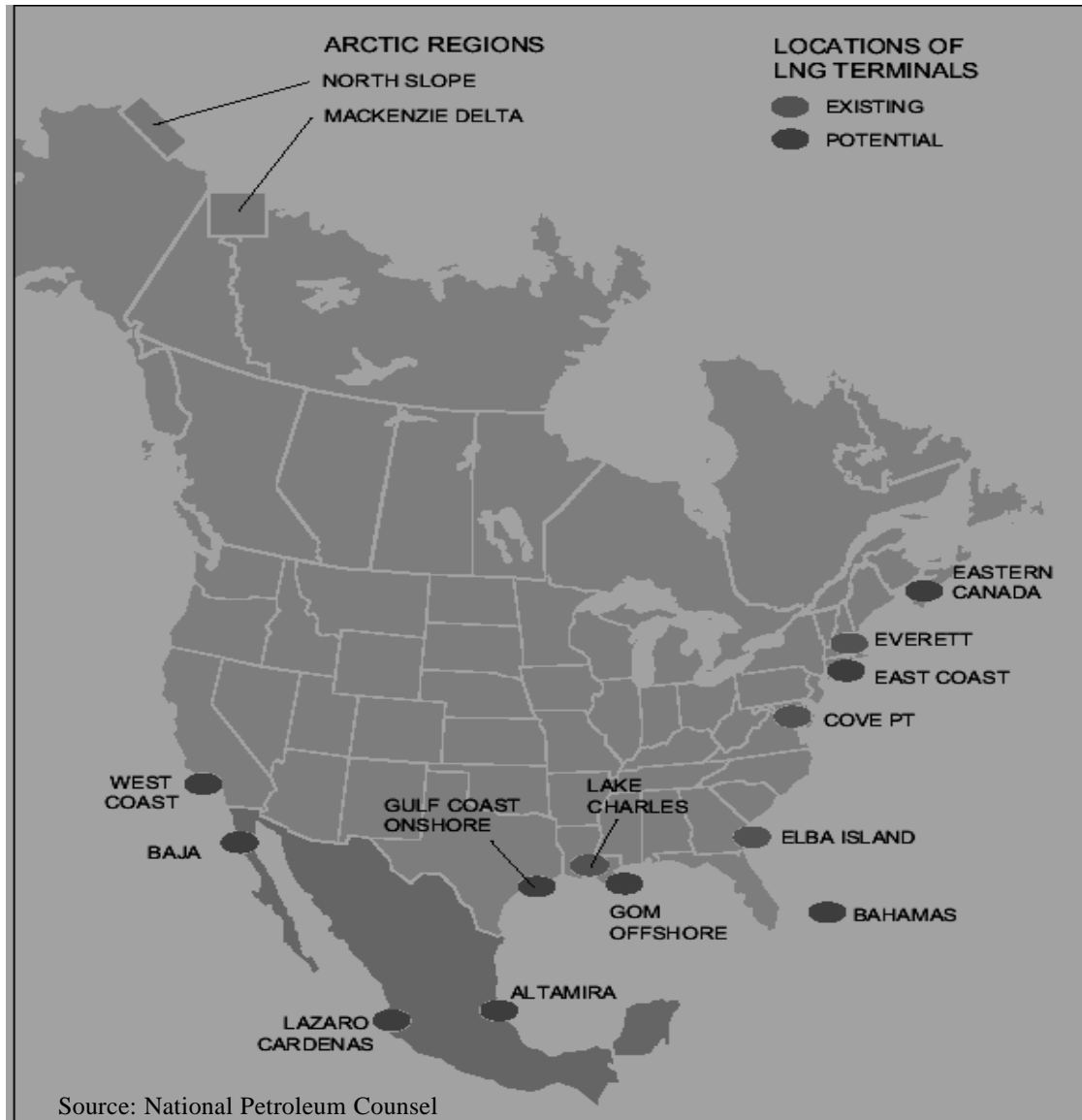
Source: TCPL



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National Perspective

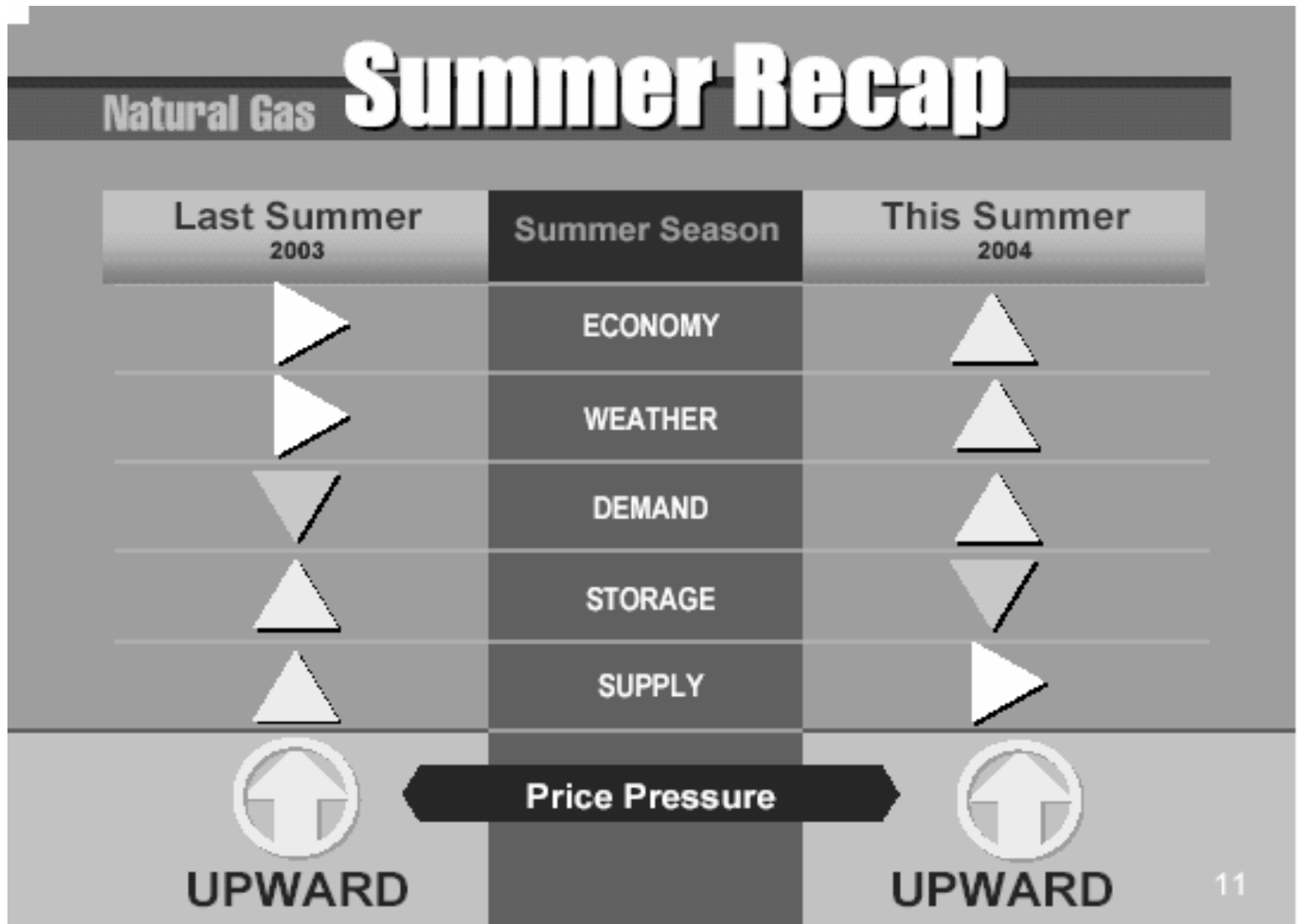
Liquified Natural Gas (LNG)



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National Perspective

Several Factors Influence Gas Prices



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Source: Natural Gas Supply Association

NIPSCO's Strategy – Portfolio Diversity



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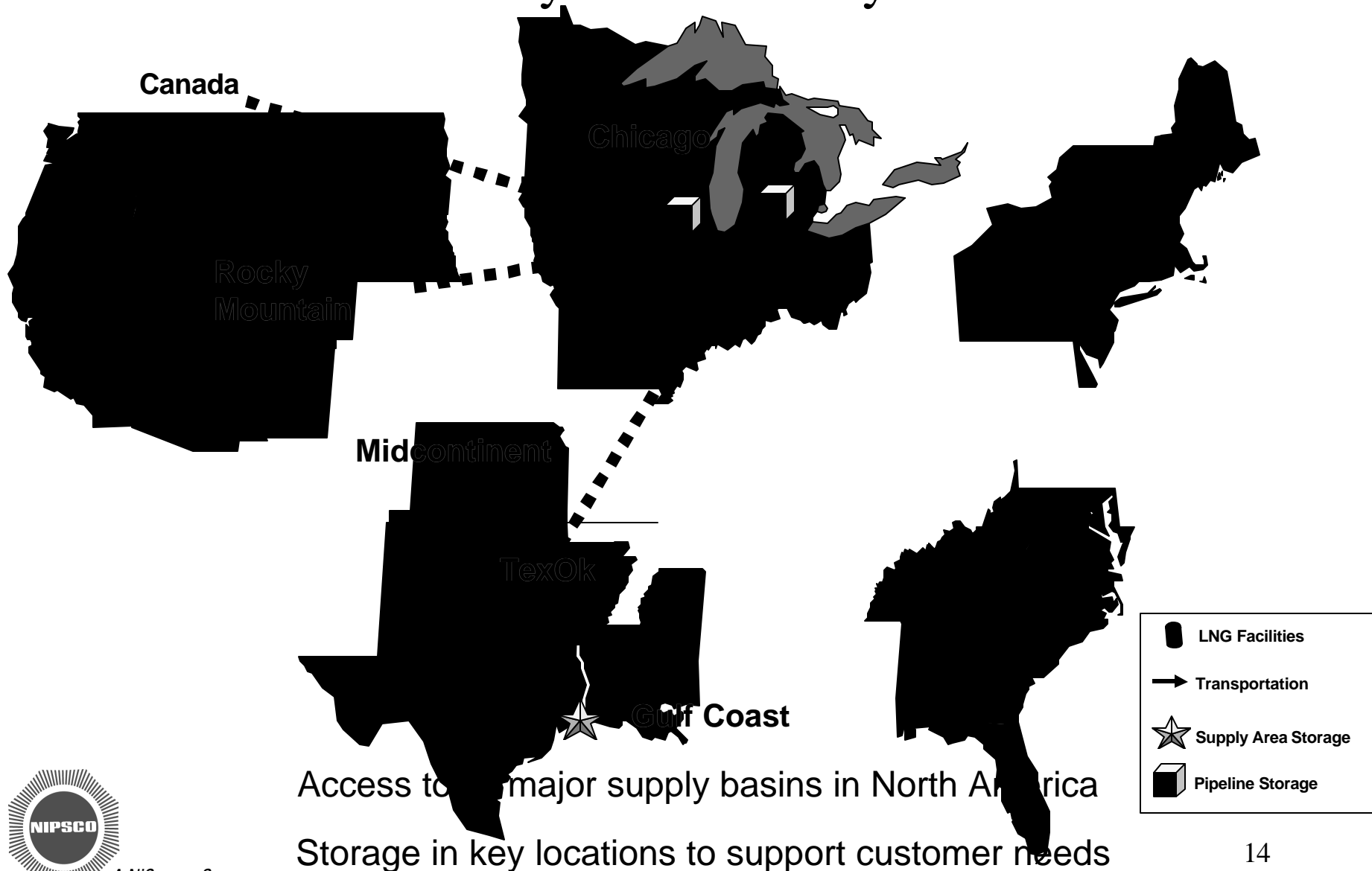
NIPSCO's Strategy – Portfolio Diversity

- Portfolio Diversity
 - Supply reliability
 - Supply pricing (basis differential)
 - Flexibility
 - Volatility mitigation
- The Strategy Balances Economic Risks While Meeting Commitment to Provide Safe, Reliable Supply for Customers



NIPSCO's Strategy- Portfolio Diversity

Physical Diversity

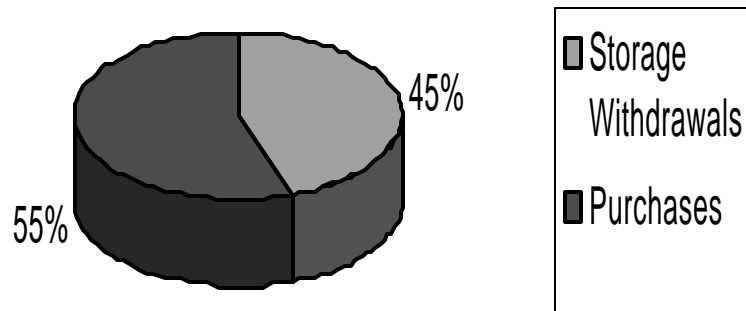


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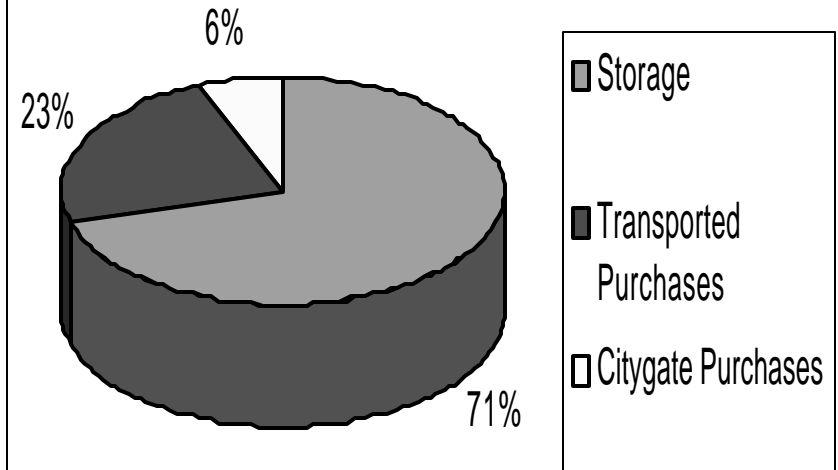
NIPSCO's Strategy- Portfolio Diversity

Storage is Key to Serving Customers

NIPSCO Planned Supply for Winter
(November - March)



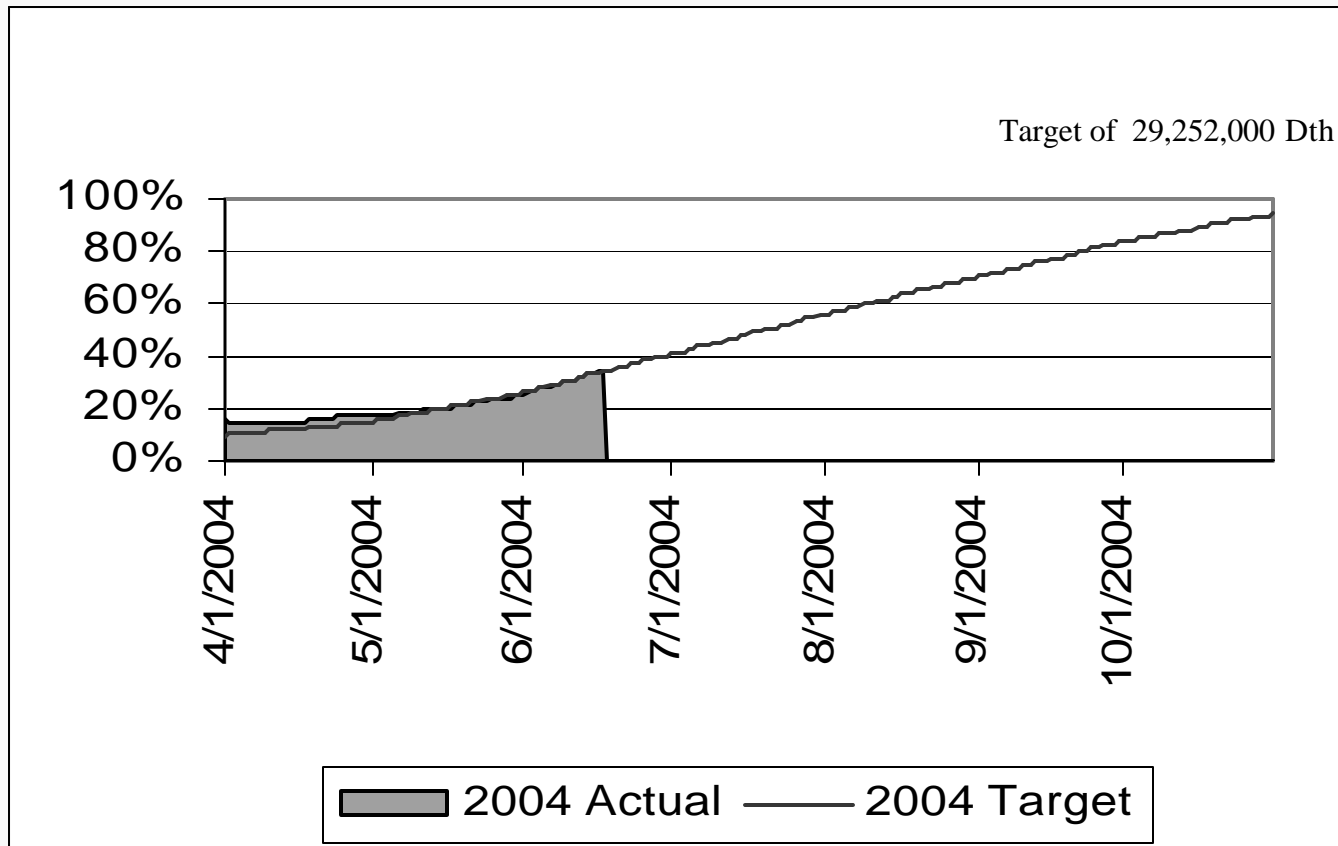
NIPSCO Planned Supply on a Peak Day



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NIPSCO's Strategy- Portfolio Diversity

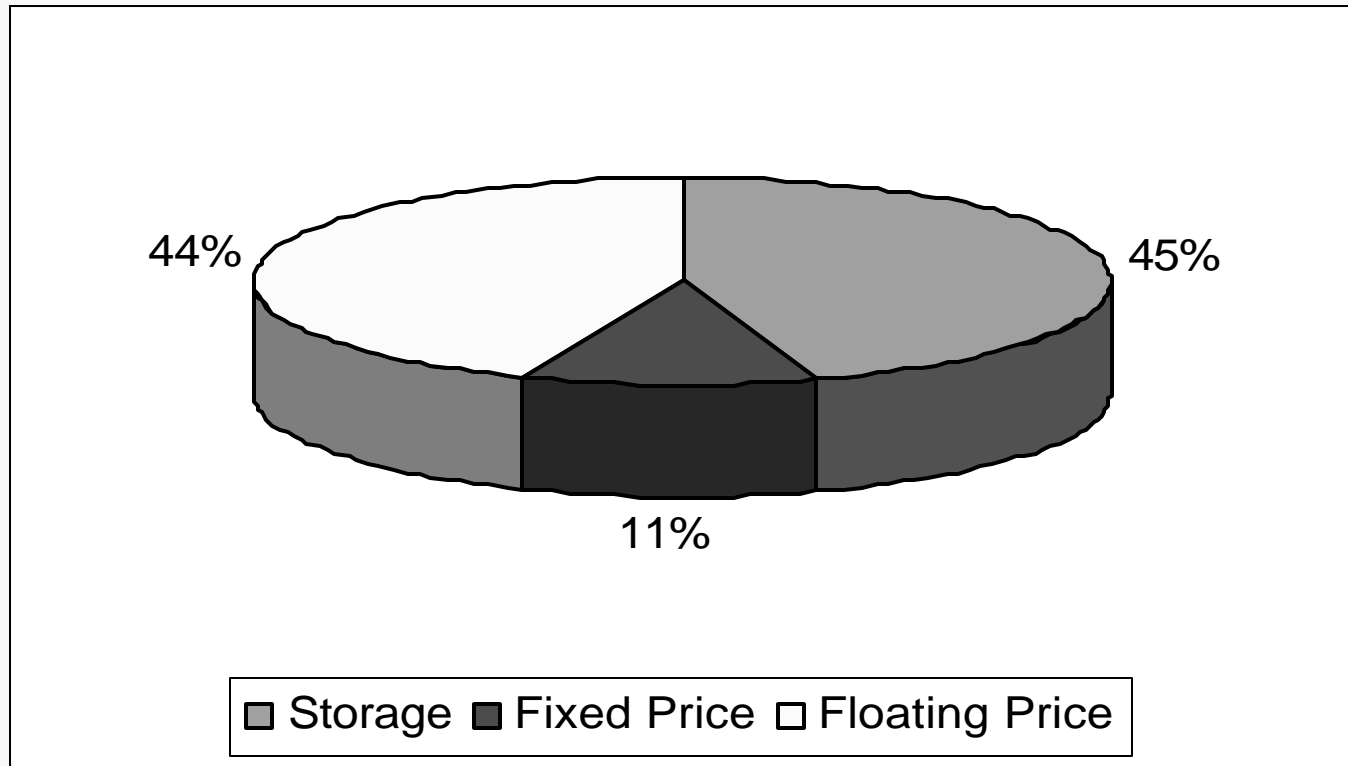
On Target for Customers Needs in Winter 2004-2005



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NIPSCO's Strategy- Portfolio Diversity

Price Diversity - Fixed Versus Floating Price



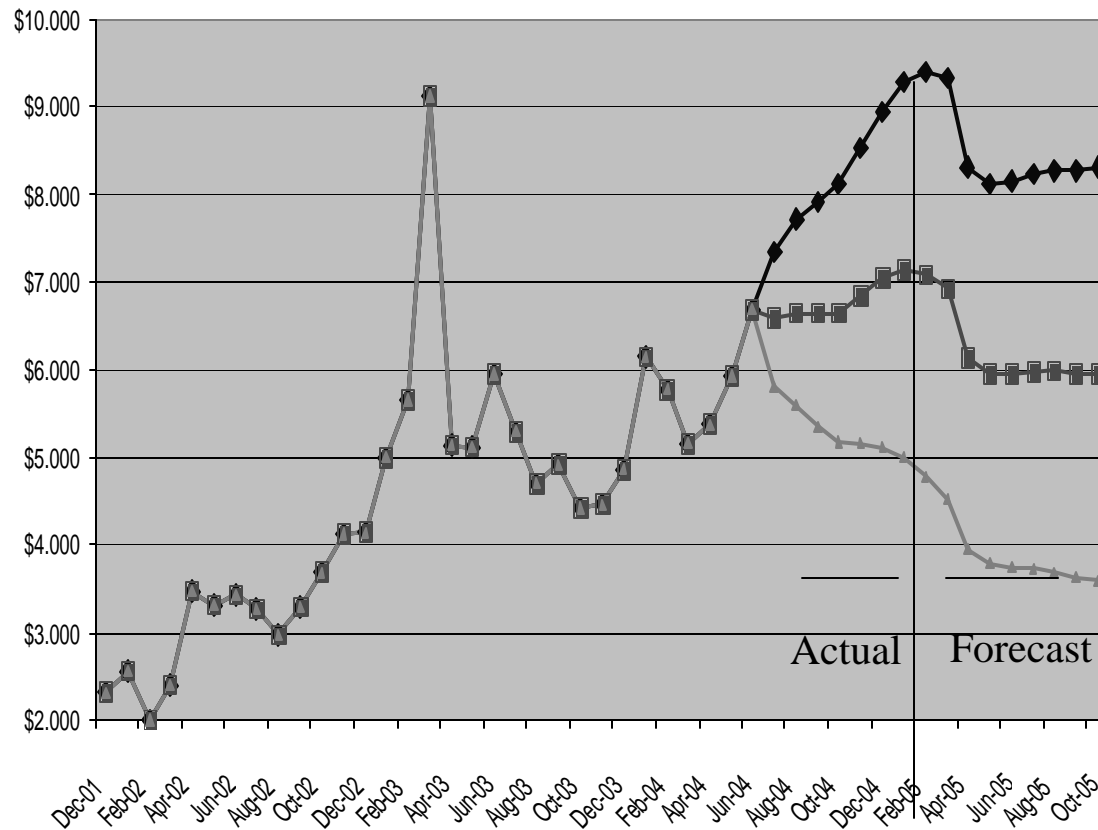
- Fixed means that the price does not change
- Floating means that price may change



NIPSCO's Strategy- Portfolio Diversity

Changes in Future Prices Will Occur

Future NYMEX Price Settlement Projections

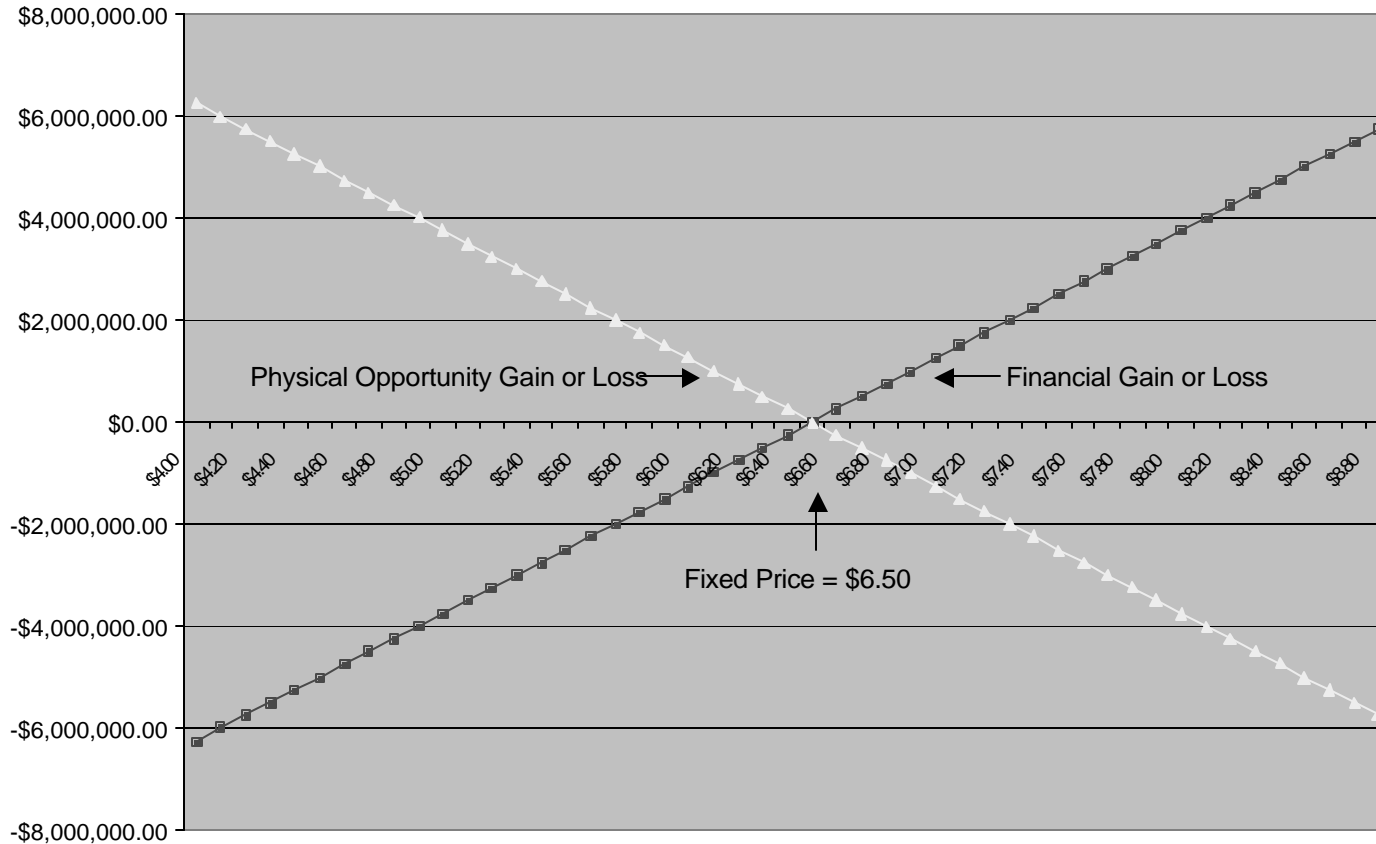


- National / international factors, weather and supply and demand impact prices
- Whether prices rise or fall is unknown



NIPSCO's Strategy- Portfolio Diversity

Financial Tools Reduce Volatility



- Hedges offset the actual purchase price of gas
- Given NIPSCO's size, lower costs if middlemen are eliminated

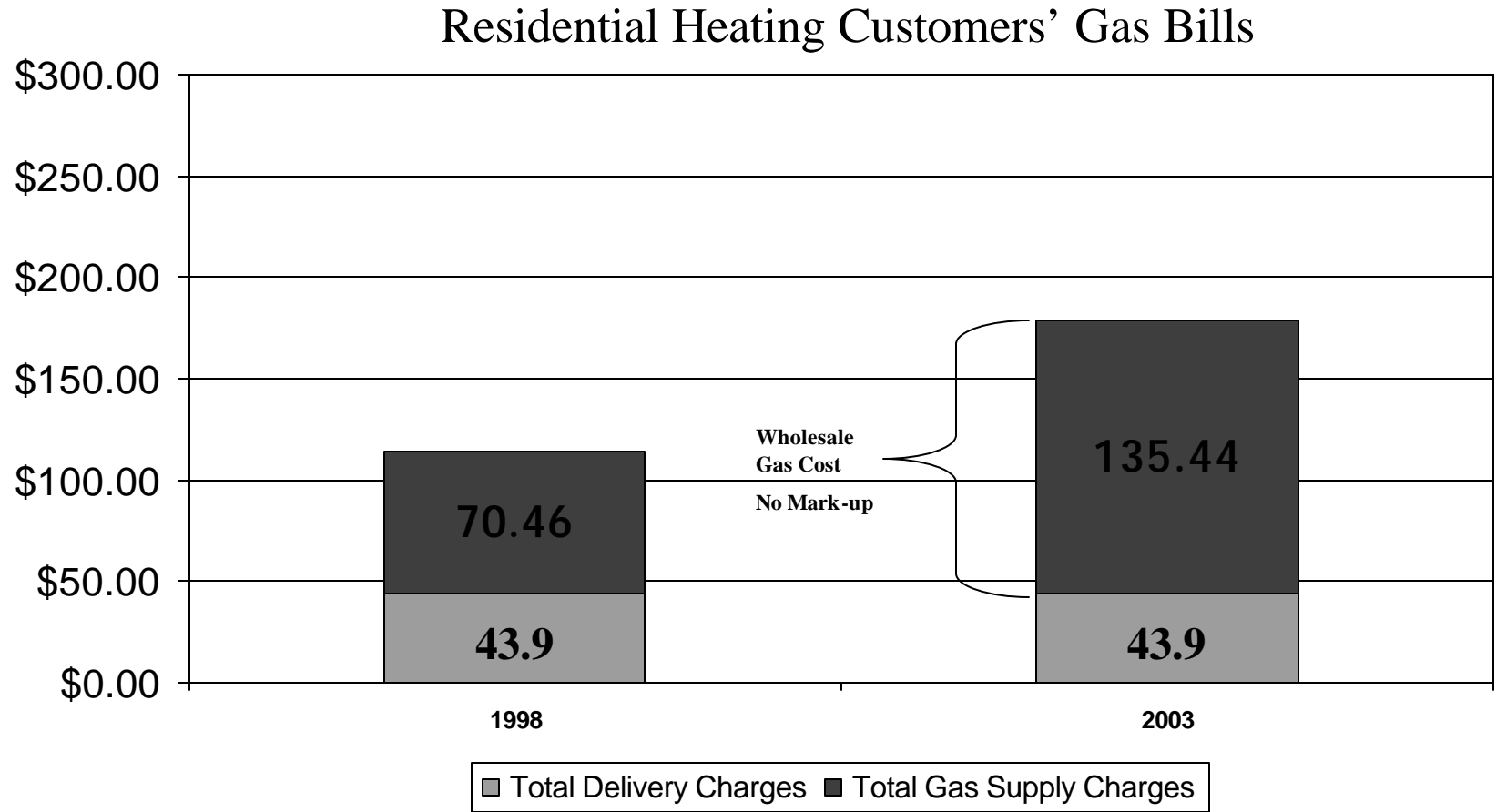


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Typical Residential Bill For the Month of January Using 2001 Terms

NIPSCO's Delivery Charges vs. Gas Supply Charges

NIPSCO Base Rates Have Not Increased



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NIPSCO Customer Outreach

Customer Education ...

- Natural gas and electric safety
- Customer Assistance Programs
- Customer Payment and Billing Options
- “NIPSCO Choice” Products and Services
- Encourage wise use of energy
- Special Energy Assistance Programs
- Weatherization Programs
- Charitable Contribution Opportunities



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NIPSCO Customer Outreach

Customer Communication



How NIPSCO Communicates With Our Customers ...

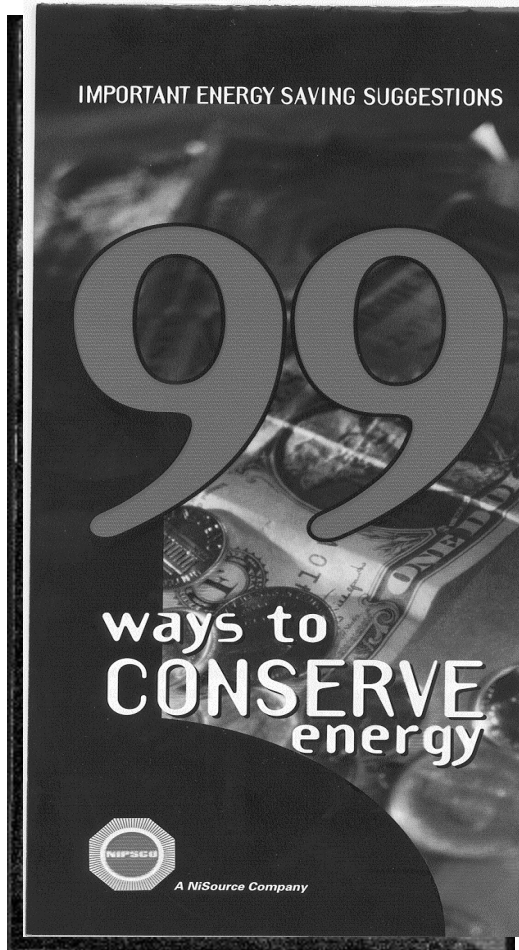
- NIPSCO Energy News Quarterly newsletter
- Monthly bill inserts
- Our website at www.nipsco.com
- Consumer Advisory Panels
- Natural Gas Update Forums Every Fall
- Ongoing News Releases



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NIPSCO Customer Outreach

Additional Helpful Hints....



- Mailed free to our customers upon request, the brochure offers customers 99 ways to conserve energy and save on their energy bills,
- Residential usage per customer has reduced



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Pipeline Integrity – Safe, Reliable Gas Delivery



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Pipeline Integrity

Safe Reliable Gas Delivery – Long Standing Priority

- NIPSCO always was and will be committed to safety and reliability
- Pipeline integrity adds new testing and education requirements
- Being addressed on several fronts
 - Nationally coordinated by AGA
 - In Indiana facilitated by LDC's
 - By NIPSCO
- Initial Steps include
 - Assessment of pipelines owned by distribution companies
 - Determination of "Transmission lines"
 - Determination of "High Consequence Areas"
 - Plan Development
 - Pipeline Testing
 - Customer Education



Pipeline Integrity

Communication Efforts

- Completed self-assessment of our current public education programs in compliance with RP 1162
- We are actively working to improve our public communications with respect to pipeline safety
 - NiSource team – inventory of current initiatives and best practices
 - IUPPS involvement – contractor education
 - LDC based initiatives



Pipeline Integrity

Integrity Management

- NIPSCO's Objective is to provide for the safe, reliable delivery of natural gas
 - Goal is to complete required integrity work without customer interruptions
- NIPSCO Forms Pipeline Integrity Team in September 2002:
 - Gas Systems Operation
 - Engineering
 - Corrosion control
 - Mapping and Records
 - Forestry
 - Real estate
 - Communications
 - Information Technology
- Team meets periodically with Indiana LDC peers and NiSource affiliated LDC's and Pipeline groups to discuss compliance .
- Team will meet with IURC Pipeline safety staff
- 805 miles of Transmission lines and 97.25 miles of High Consequence Areas identified
- NIPSCO will primarily use Direct Assessment method



Pipeline Integrity Management - (Continued)

- NIPSCO scheduled to perform a direct assessment of 14.5 Miles of 30" and 36" transmission line in July 2004
- NIPSCO has performed successful hydrostatic test on area of highest risk, 4.5 Mile 36" Transmission line in May 2004



Pipeline Integrity



Global Position System and
Pipeline Current Mapper –
Direct Assessment methods



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Hydrostatic test
header underway



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Hart Ditch “36 line
reroute in progress



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Questions?



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